



MAINE STEP-UP PROGRAM AGREEMENT

Leadership Track

Bath Iron Works

PURPOSE

The greatest challenge of the 21st century will be using earth's resources in sustainable ways to meet human needs. Through its own natural cycles, the earth provides clean water and air, fertile soils, and a myriad of plants and animals, all of which are essential to sustain life. We must find ways of producing products and providing services that model nature's cyclical design and sustain its productive capacities. In fact, where we can we must restore those capacities diminished by past misuse.

Environmental regulatory programs of the last 30 years have done much to clean and protect our waters, air and land. Now, new approaches to environmental protection are needed if continuous improvements are to be realized.

The Maine Department of Environmental Protection and Bath Iron Works have agreed to explore new ways of protecting the environment that go beyond regulatory compliance. Bath Iron Works commits to continuously improve its business practices to protect people and the environment. Bath Iron Works will publicly report on its progress to inspire other businesses to seek improvement in their own environmental performance.

The Maine Department of Environmental Protection commits to vigorously assist Bath Iron Works on its "climb up the mountain"—accepting the challenge—to find environmentally sustainable ways of doing business. The Goals Toward Sustainability set forth in Section 2. B. in this agreement are for the "Pathways" described in the "Climbing the Mountain" diagram found in the Department's A Guide for Your Business: Smart Production and the Maine Step-Up Program.

1. INTRODUCTION

Bath Iron Works, a General Dynamics Company, has been building ships on the Kennebec River since 1884, and has served as the lead shipyard for ten surface ship classes procured by the U.S. Navy. The reputation of Bath Iron Works is built on the craftsmanship and work ethic of the employees who are the premier designers and builders of these complex, technologically advanced naval ships. BIW is currently the lead designer and builder of the ARLEIGH BURKE Class AEGIS guided missile destroyer, the most technologically advanced surface combatant in the world. There are approximately 7,000 people employed at Bath Iron Works.

Bath Iron Works (BIW) commits to the Maine Department of Environmental Protection (DEP) to strive toward sustainability goals for its business with the assistance of the DEP. DEP will provide technical services and recognition for achievements made by BIW under this Agreement during its three-year period. The DEP will assign a senior staff person to work with BIW during the design and implementation of the agreement.

2. PERFORMANCE COMMITMENTS

A. Environmental Business Practices

- **Compliance Status** – BIW has programs in place to maintain compliance with the conditions of all of its permits and licenses and applicable regulations. These programs include periodic inspections and corrective actions as necessary. BIW holds a variety of environmental licenses/permits from the Maine DEP including Air Discharge Licenses (A-333 and A-271) and a Wastewater Discharge License (W00671-5R-F-R).
- **Environmental Management System Pathway To Sustainability** – BIW will institute an Environmental Management System (EMS) to address the impacts of its shipbuilding operations at its three manufacturing facilities (Bath, Hardings and East Brunswick Manufacturing Facility (EBMF)) by December 2003. This will be a fully functioning EMS that meets or exceeds the standards contained in ISO 14001. BIW will seek third-party verification of the EMS, utilizing the ISO 14001 standard, by December 2004. A qualified professional, as agreed upon by BIW and DEP, shall conduct the review. If the EMS is not verified as meeting the standard, BIW shall develop a plan for conformance within the following 12 months.
- **Workers & Community Pathway To Sustainability** – BIW has an active environmental education program for employees. This program includes weekly Environmental, Safety and Health Talks, consisting of 10-minute training presentations on varying subjects, as well as classroom training for specific tasks including hazardous waste management and new employee

awareness training. BIW proposes to expand the general environmental awareness training as the EMS is developed.

BIW has held community meetings with local residents in the past to discuss expansion projects and to provide a forum for providing input and feedback. BIW proposes to continue to hold community meetings, at least every six months, to report progress on Step-Up goals and to receive input and feedback.

B. Goals Toward Sustainability

- **Energy Pathway To Sustainability** – Following the large facility modernization and associated increase in energy consumption, BIW's goal is to reduce total energy consumption by 10% per DDG Ship over the three-year agreement. (A DDG ship is an Arleigh Burke Class Aegis guided missile destroyer, the most advanced surface combatant in the world. Measuring per equivalent DDG Ship was chosen because BIW has built the DDG Ship for the past ten years and will continue to build it well into this decade. Measurement of larger or smaller ships will be adjusted proportionately to reflect the relative ratio of the impacts associated with their construction, i.e., energy use, solid waste generation, etc.) This will be accomplished by benchmarking existing energy uses, and developing an energy conservation program based on the benchmarks. Metrics for fuel use will be normalized by degree-days. Electricity use will be tracked in kilowatt-hours. Fuel and electricity consumption will be aggregated, and totaled on a biannual basis and compared to a base year of 2001.
- **Toxics Pathway To Sustainability** – BIW will continue to reduce the amount of hazardous waste shipped off site for disposal. BIW intends to reduce the amount of hazardous waste per equivalent DDG shipped off-site (compared to Base Year of 1991) by 40% at Bath, 62% at Hardings and 35% at EBMF by January 2006. Based on 2001 levels, this represents an additional 16% reduction at Bath, an additional 3% reduction at EBMF and an additional 25% reduction at Hardings. Reductions shall be attained by product substitution, waste minimization and pollution prevention methodologies.
- **Product to Service Pathway To Sustainability** - BIW has a long-term goal to work with its customer in designing ships with minimal impact to the environment. This objective will be pursued by assessing the mission parameters and integrating current and emerging environmental, safety, and health principles. This approach will ensure that the entire spectrum of the ship's life cycle including concept, design, construction, maintenance, and disposal is reviewed. BIW is actively pursuing this goal. Future contract initiatives may result in total life-cycle ownership of the ship by BIW. As future opportunities allow, BIW will continue to identify ways to reduce energy use, waste generation, etc. associated with DDG ship construction, and strive

towards a minimal impact design. BIW will report progress on this goal biannually.

- **Solid Waste Pathway To Sustainability** – BIW will reduce the amount of solid waste disposed of and promote the reduction, reuse and recycling of solid waste. BIW has set a goal to reduce the amount of total company solid waste disposed of by 10% per equivalent DDG ship in the next three-year period based on 2001 levels.

C. Measurement Methods

BIW will report progress biannually to ME DEP on energy use, hazardous waste shipped off site and solid waste disposed of relative to a base year of 2001. The information will also be made public at community meetings. Energy will be reported as total (fuel use and electricity) MMBtu's per equivalent DDG Ship, with fuel use being normalized for degree-days. Hazardous waste shipped off site will be reported as pounds per equivalent DDG Ship by facility. Solid waste will be reported as total company solid waste disposed of per equivalent DDG Ship.

D. Public Involvement

BIW will make progress reports available to employees through the Environmental, Health & Safety Newsletter. Progress towards meeting goals will be reported during community meetings.

E. Mentoring

BIW will partner with Maine DEP in its Composite Pollution Prevention (P2) efforts, focusing on providing assistance to boat building businesses. This will include technical resources in the area of composite technology, environmental compliance and P2.

F. Relationship

BIW will work closely with DEP to achieve its sustainability goals by identifying specific regulatory issues that stand in the way of achieving goals and work to find mutually agreeable solutions. Specifically:

DEP's STEP-UP Program Contact will attend regularly scheduled meetings to discuss progress towards goals and ways to resolve impediments.

DEP will work with BIW to consolidate multiple hazardous waste permits into a common renewal schedule.

DEP will explore with BIW the prospective design of a pilot Technology Licensing option for items currently subject to Abbreviated Permitting for Hazardous Waste.

Specifically, DEP will consider licensing the technology for Solvent Recovery units, in lieu of permits for individual units. Standards and fees would remain the same but paper work and processing time could be greatly reduced for both BIW and DEP.

BIW will meet regularly, but at least semi-annually, with DEP to report progress and discuss impediments or other relevant issues.

DEP will provide technical assistance to BIW, as it develops its EMS.

DEP Step-Up Program Contact will participate in community meetings, as requested.

Maine DEP will make staff available to BIW for technical and regulatory assistance. This assistance will be provided consistent with existing State law and agency policy. Maine DEP expects to forego civil penalties for certain types of first-time violations discovered in the process of providing assistance or disclosed as a result of compliance audits performed by BIW when BIW corrects the non-compliant condition within the shortest practicable time period, and in all cases within 90-days of discovery. Violations excluded from this provision are those listed in Maine DEP's Small Business Compliance Incentives Policy, Section III (as amended February 14, 1996) and its Supplemental Environmental Projects Policy, Section V (as amended June 15 2000). Regular or necessary compliance inspections performed as part of day-to-day business at Maine DEP are not subject to these provisions.

G. Recognition

DEP will recognize BIW participation in the Step-Up Program by including specific information on the *Smart Production Web Page* maintained by the State, and in press releases from time-to-time to keep the general public informed of BIW's status in the Step-Up Program. BIW will also receive a Governor's Award for Environmental Excellence without the need for application when any *Sustainability Goal* detailed in this agreement is achieved.

3. REPORTING

BIW will forward biannual progress reports to the DEP citing accomplishments toward sustainability goals and identifying any need to adjust goals. The report will also assess the effectiveness of the working relationship between DEP and BIW and recommend changes that might be needed.

4. TERMINATION

Either party to this Agreement may terminate the participation of BIW in the Step-Up Program with 30-days notice to the other party.

WITNESS here today, July 22, 2002, that the undersigned parties enter into this agreement.

Angus S. King, Jr., Governor State of Maine

Kevin P. Gildart, Vice President
Human Resources, Bath Iron Works